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S E C R E T SECTION 01 OF 03 TAIPEI 004114

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SUBJECT: DPP CHAIRMAN YU SHYI-KUN ON DOMESTIC POLITICS,
ARMS PROCUREMENT, AND DIRECT CROSS-STRAIT LINKS

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: DPP Chairman Yu Shyi-kun told the Director on December 12 that the results of the December 9 Taipei and Kaohsiung mayoral elections were a "small victory" for the party, with Chen Chu winning narrowly in Kaohsiung and Frank Hsieh turning in a good performance in Taipei. The elections showed that Taiwan voters are able to judge independently, despite the barrage of negative publicity about President Chen and the DPP in the pro-Blue media. The people are giving the DPP a new opportunity, and Yu underscored his "absolute confidence" in the party's future. The KMT was making a mistake in blaming its setback on weak campaigning, Yu argued; the KMT's essential problem is its lack of a clear Taiwan focus. If Chairman Ma Ying-jeou continues to press for unification with the Mainland, he will lose the presidential election in 2008, Yu predicted. Yu asked the Director if his recent remarks to AmCham encouraging the opening of direct cross-strait links were consistent with President Reagan's 1982 assurances that the U.S. would not mediate between Taipei and Beijing and would not pressure Taiwan to enter into negotiations with the PRC. In response, the Director pointed out that Taiwan has developed a major economic relationship with China in recent years in ways no one could have anticipated 24 years ago. The focus back then was on political negotiations concerning final status and arms sales. Opening direct links today is important to further enhancing Taiwan's economic competitiveness in the region. End Summary.

Mayoral Elections

¶2. (C) Democratic Progressive Party (DPP) Chairman Yu Shyi-kun told the Director on December 12 that the party's internal polls had predicted Chen Chu would win the December 9 Kaohsiung election by 6300-7800 votes, which was not far off her actual 1114 vote margin of victory. This contrasted with highly inaccurate polls in the pan-Blue media, which showed Kuomintang (KMT) candidate Huang Chun-ying with a double digit lead over Chen Chu. Pro-Blue media polls had been inaccurate in the past, Yu added, including in both the 2000 and 2004 presidential elections. Such polls had misled

U.S. observers into concluding that the March 19, 2004 shooting of President Chen and Vice President Lu had swung the election from Lien Chan to Chen Shui-bian. In fact, Yu said, DPP internal polling had shown President Chen was already slightly ahead of KMT candidate Lien Chan even before the shooting incident.

13. (C) The December 9 mayoral elections, though called a draw by some, actually represented a small victory for the DPP, Yu maintained, adding that many observers had predicted a defeat, given the party's difficulties. Yu attributed Chen Chu's victory to Frank Hsieh's good performance as mayor in Kaohsiung, Chen Chu's qualifications, the DPP's efforts, and late campaigning by President Chen and former DPP Chairman Lin I-hsiung, who left the party some months ago. Lin, whom many respect for his personal integrity, was not recruited by the DPP but campaigned because of his friendship with Chen Chu. In addition to Chen Chu's victory in Kaohsiung, Frank Hsieh turned in a good performance in Taipei, winning nearly 41 percent of the votes, though this was below the percentages registered by Chen Shui-bian in his successful and unsuccessful races in Taipei City in 1994 and 1998.

14. (C) Yu suggested that the two mayoral elections demonstrated the Taiwan people's growing ability to think and judge independently, despite the barrage of criticism directed at the DPP by the pro-Blue media. The elections also reinforced the trend toward a two party political system, highlighting the fact that the space for small parties is shrinking. In addition, the mayoral elections showed that the people of Taiwan are giving a second chance to the DPP, which will need to use this opportunity to carry out further reflection, review, and reform. Yu stressed his

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"absolute confidence" in the future of the DPP.

An End to Pan-Blue Efforts to Remove President Chen?

15. (C) Asked whether the pan-Blue campaign to force President Chen out of office is over, Yu responded that the upcoming trial of First Lady Wu Shu-chen will be an important factor, adding that there are many points of controversy regarding this case. Yu doubted that Shih Ming-te will be able to revive his "Depose Chen" movement. Shih would first have to successfully pressure Ma Ying-jeou into remobilizing the pan-Blue troops that formed the mainstay of the "Depose Chen" movement before he could try again to "encircle" the Presidential Office. (Comment: As Yu undoubtedly realizes, Ma is highly unlikely to allow Shih to damage his leadership again. End Comment.)

The KMT's Root Problem

16. (C) According to media reports, Yu noted, the KMT is blaming 90 percent of its December 9 election setback on faulty campaign tactics and just 10 percent on problems with its own values or policies. The KMT will have no hope so long as it continues to blame faulty campaigning for its problems, Yu argued. Despite its many advantages, including financial resources, a friendly media, and a large cadre of elected local officials, the KMT has shrunk because it does not have a Taiwan focus (bentu lunshu, literally, "localization theme"). The DPP, on the other hand, has grown and won elections because of its Taiwan focus. However, those who favor unification want to hurt the DPP because they do not like this policy. If Ma continues to press for unification, he will lose the presidential election in 2008, Yu predicted. He cited recent polling indicating that 65 percent of the people identify themselves as Taiwanese and over 50 percent support Taiwan independence. Yu also noted that Ma's approval rating, according to DPP internal polls, is now under 40 percent, down from a high of about 80 percent following his trip to the U.S. last March.

Candidate Selection for Upcoming Legislative Elections

17. (C) The DPP would like to hold the next legislative and presidential elections together on January 19, 2008 rather than having legislative elections in December 2007 followed by the presidential election in March 2008, Yu said. The DPP will use a three-step process to select candidates for the LY elections. The party will seek to recruit candidates in districts where there are no volunteers. In the other districts, the DPP will allow party members to register as possible candidates, working to identify a single consensus candidate for each district through a consultation process. In districts where it is impossible to reach consensus on a single candidate, the party will hold a competitive primary to determine the candidate, which will be held at the same time as the presidential primary. Yu said he expects campaigning to begin around July of next year.

Offensive Missiles are the Best Defense

18. (S) Yu expressed confidence that the LY will approve the arms procurement budget either now or by March at the latest.

The Director underscored the U.S. hope that the Taiwan government will submit a supplementary budget request for PAC-III missiles after March 20 to strengthen Taiwan's defenses against PRC missiles. Yu somewhat offhandedly tossed out the idea that what Taiwan really needs from the U.S. to prevent PRC invasion or annexation is 10-20 long-range missiles. In the past, the U.S. could not sell such missiles because of Taiwan's policy to recover the Mainland. The situation now is different, however, and Taiwan is in a defensive posture. Yu cited the adage "offense is the best defense" in support of his view that

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Taiwan needs long-range missiles. Yu's idea was completely impossible, the Director stressed. Defense is more effective than offense. Taiwan and the U.S. have different defense roles, and Taiwan does not need long-range missiles. We want Taiwan to strengthen its missile defense capability and to play its role as a democratic model, which will help steer China in the direction of being a responsible stakeholder rather than a threat to Taiwan and the region. (Comment: Yu seemed to be playing devil's advocate, but his remarks recall the momentary fame he achieved in 2004 by threatening to attack Shanghai with missiles if the PRC launched missiles against Taipei and Kaohsiung. End Comment.)

Encouraging Direct Cross-Strait Links

19. (C) Yu asked whether the Director's recent remarks to AmCham encouraging the opening of direct cross-strait air links were consistent with President Reagan's 1982 assurances that the U.S. would not play any mediation role between Taipei and Beijing and would not exert pressure on Taiwan to enter into negotiations with the PRC. Yu explained that some DPP cadres had requested that he seek clarification from the Director on this question. The Director pointed out that DUSTR Bhatia, during his visit to Taiwan last May, had already underscored that opening direct cross-strait links was important for Taiwan, including for the U.S. businesses operating here. The context was greatly changed from 24 years ago, when the USG intent had been to reassure Taiwan that we would not negotiate over Taiwan's head with China on our arms sales or pressure Taiwan to enter into negotiations on final status issues. In recent years, Taiwan has developed a major economic relationship with the PRC, and opening direct links is important to further enhance Taiwan's economic competitiveness in the region. Yu argued that the PRC uses economics for political purposes, and therefore Taiwan needs to take account of the security dimension of the question. The Director responded that strengthening self

defense is the way to address security concerns, and this will provide the confidence to further develop cross-Strait economic links.

Comment

¶10. (C) Yu seemed almost cocky in arguing what he saw as the DPP's advantages over the KMT. Although the DPP won a very narrow victory in the contest for Kaohsiung mayor, the KMT won by a much wider margin in Taipei, and it also won more city council seats in both cities than the DPP. While Ma Ying-jeou no longer appears to be the shoe-in for president in 2008 that many local commentators thought him to be several months ago, he is still quite a formidable candidate.

Because the Taiwan government itself supports opening direct links with the Mainland, we see no problem in encouraging this process. Yu's question on cross-Strait links may stem from the minority view held by some Deep Green supporters that Taiwan should slow the development of cross-Strait economic relations to prevent further "tilting" toward China.

YOUNG